

The Director of Central Intelligence

Washington, D. C. 20505

20 September 1984

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Dear Dwayne,

Thank you for sending me your draft recommendations, "Organizing US Economic Policy." I have had officers who work here in international economics look at the material you left for me, as well as some related perceptions that we have developed about Soviet efforts to expand influence in the Third World.

They agree that some new organizational forms are needed to better deal with the growing linkages between domestic and international economic policy as well as between the political, military, and economic aspects of foreign policy. Although the effectiveness of any organizational structure in the final analysis depends on the personalities and their relationships, experience during several Administrations strongly suggests that effective policy integration and coordination requires at a minimum:

- Vesting important cross-cutting policy responsibilities in an individual with easy access to the President;
- Creation of a substantive staff capable of conceptualizing and managing policy issues in a manner that considers, but cuts across, parochial departmental perspectives.

So long as these requirements are met, we believe that the way inter-agency committees at the Cabinet and sub-Cabinet level are organized is of lesser importance.

In our view, the principal weakness of the present system is the absence of a substantial staff capable of taking a national, as against a departmental, view of international economic policy. The SIG-IEP, through which most international economic issues are routed, has no designated staff. The Secretary of the Treasury, as the SIG-IEP Chairman, uses the regular Treasury line officials as a de facto staff. These officials, although very competent, have neither the time nor the bureaucratic flexibility to produce creative and well-integrated policy studies or proposals. Unfortunately, there are also no substantial staff elements in other agencies capable of performing this role. The NSC Staff, which would be in the best position to do so, is far too thin. These problems could probably best be remedied by creating a new staff in the White House.

We think the functions of this staff should probably be limited to international economic policy, not to overall economic policy as you suggest. This staff would compete on many issues with existing White House officials and staffs, notably the Council of Economic Advisers and the Office of Management and Budget. The leader of this enterprise would need a close relationship with the President.

We don't want to get into the question of whether this staff should be part of the NSC Staff or an individual staff headed by another Special Assistant to the President. It does seem clear that it should have the public leadership of someone with substantial visibility and power, much in the way that George Shultz and Bill Simon did it during the 1973-1976 period.

These thoughts represent the general reaction of some of our analysts to the ideas you left with me.

On another front, the Soviets have gained their influence in the Third World by a process consisting largely of support for insurgencies and assistance to Third World military. They are quite helpless in delivering economic benefits. If we were able to get our entrepreneurs, our technology, and our managerial and marketing skills more actively applied to resources and economic opportunities existing in the Third World, I believe we could quickly expand our own influence and counter the expansion of Soviet influence. To really accomplish this, our foreign aid would need to be modified to develop incentives for greater entrepreneurial activity abroad.

As part of our foreign economic intelligence work, we have been focusing on identifying resources and economic opportunities abroad which could provide the basis for increased Western commitment of private skills, money and technology which, in turn, could enhance the living standards in Third World countries, and our influence there, as well as their ability to carry the crushing burden of debt which they have acquired. It might be useful to have some of our experts brief your commission on this work.

Sincerely,

William J. Casey